

Message Text

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PAGE 01 PEKING 00922 070742Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----072019Z 067871 /63
R 070500Z MAY 77
FM USLO PEKING
TO SECSTATE WASHDC 7757
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 0922

EXDIS

E.O. 11652: XGDS-1
TAGS: ETRD PFOR CH US
SUBJ: CONVERSATION WITH FOREIGN TRADE MINISTER

1. SUMMARY - DURING THE COURSE OF AMBASSADOR GATES' MAY 7
FAREWELL CALL OG FOREIGN TRADE MINISTER, LI CHIANG DESCRIBED
IN POSITIVE TERMS THE PROSPECTS FOR SINO-US TRADE, INCLUDING
PURCHASES UNDER COCOM. FOLLOWING ARE LI'S COMMENTS ON CHINA'S
ECONOMY AND FOREIGN TRADE AND ON SINO-US TRADE RELATIONS.
END SUMMARY

2. FOREIGN TRADE PLANS - UNDER THE FOREIGN TRADE PLAN TO BE
INITIATED IN THE SECOND HALF OF THIS YEAR, IMPORTS WILL
INCREASE. CONSUMABLES WILL MAKE UP PART OF THESE IMPORTS;
SUGAR AND EDIBLE OIL HAD ALREADY BEEN PURCHASED, FOR INSTANCE.
EMPHASIS, HOWEVER, WILL BE ON IMPORTS OF "KNOW-HOW," EITHER IN
THE FORM OF COMPLETE PLANTS OR LICENCES OF TECHNOLOGY AND
PATENTS.

3. PROSPECTS FOR SALES OF US TECHNOLOGY - IMPORTS OF TECHNOLOGY
WILL BE SELECTED ON A COMPETITIVE BASIS, THE THREE MOST IMPORTANT
ASPECTS OF WHICH ARE DELIVERY TERMS, PRICE, AND QUALITY.
THE US IS QUITE COMPETITIVE. JAPAN AND WEST GERMANY ARE ALSO
COMPETITIVE, BUT IN SOME ASPECTS THE US HAS A DEFINITE EDGE OVER
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OTHERS. DELIVERIES OF BOEING AIRPLANES, FOR EXAMPLE, HAD BEEN
MUCH QUICKER THAN DELIVERIES OF TRIDENTS. US TECHNOLOGY IN THE
PAST HAD BEEN OBTAINED BY PURCHASES FROM THIRD COUNTRIES;
CHINA WILL ALSO BE BUYING DIRECTLY FROM THE US IF THE TERMS WERE
FAVORABLE. THE PRC IS PRESENTLY NEGOTIATING WITH AMOCO FOR THE
PURCHASE OF "PTA" LICENCES.

3. AGRICULTURAL PURCHASES - CHINA HAS ALREADY PURCHASED SOYABEANS, FROM AN INTERNATIONAL FIRM, A LARGE PORTION OF WHICH WILL COME FROM THE US. IN THE FUTURE CHINA WILL CONSIDER DIRECT PURCHASES. NEGOTIATIONS ARE PRESENTLY UNDERWAY IN PEKING FOR THE PURCHASE OF US WHEAT. THE PRICE IS HIGH, HOWEVER, BECAUSE OF TRANSPORTATION COSTS TO WEST COAST PORTS.

4. TRADE FINANCING - THE REPORTS THAT THE PRC ENJOYED A TRADE SURPLUS LAST YEAR "WERE NOT WITHOUT FOUNDATION." IMPORTS HAD BEEN SEVERELY CURTAILED BY THE GANG OF FOUR, BUT EXPORTS FROM THE VARIOUS PROVINCES WERE RELATIVELY UNAFFECTED. AN EXTENSION IN SUPPLIER CREDITS IS UNDER CONSIDERATION BUT, AS BEFORE, BANK LOANS WILL NOT BE ACCEPTED BY THE PRC.

5. DOMESTIC ECONOMY - THE TANGSHAN MINES, DAMAGED BY THE EARTH-QUAKE, ARE STILL NOT BACK IN FULL PRODUCTION, BUT CONSIDERABLE PROGRESS HAS BEEN MADE IN REPAIRING THE DAMAGE DONE THE ECONOMY BY THE GANG OF FOUR. AT ONE TIME THE CHENGCHOW RAILROAD STATION HAD BEEN COMPLETELY CLOSED, AND THE TRANSPORT OF COAL AND COKE HAD BEEN SEVERELY DISRUPTED. THIS HAD REDUCED POWER PRODUCTION WHICH, IN TURN, HAD CAUSED SOME FACTORIES TO CURTAIL PRODUCTION. NOW THE RAILROADS ARE MOVING THEIR NORMAL QUOTA OF COAL, AS WELL AS REDUCING THE BACKLOG WHICH HAD BUILT UP LAST YEAR. THE FACTORIES ARE BACK TO NORMAL.

5. IN ANSWER TO AMBASSADOR GATES QUESTION CONCERNING THE ROLE OF DEFENCE-ORIENTED IMPORTS IN THE PRC TRADE PLAN, LI SAID THAT COCOM HAD PROVED A HINDRANCE IN THE DEVELOPMENT OF US-CHINA TRADE. THE CONDITIONS ATTACHED BY THE US TO SALES UNDER COCOM WERE SOME-CONFIDENTIAL

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TIMES "NOT NORMAL." LI ADDED THAT THE ONLY OTHER HINDRANCE TO INCREASED TRADE GENERALLY WAS US TARIFFS, WHICH FOR SOME GOODS IS RATHER HIGH. IF THE US COULD NOT LOWER ITS TARIFFS, IT MAY CAUSE SOME FUTURE DIFFICULTIES.

6. COMMENT: LI'S FRANK REMARKS AND HIS POSITIVE DISCUSSION OF TRADE PROSPECTS WAS ALL THE MORE NOTABLE IN VIEW OF HIS FAILURE TO MENTION NORMALIZATION OR THE SHANGHAI COMMUNIQUE.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, TECHNOLOGICAL EXCHANGES
Control Number: n/a
Copy: SINGLE
Sent Date: 07-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PEKING00922
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D770161-0894
Format: TEL
From: PEKING
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770582/aaaacsxz.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 569d0799-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2608543
Secure: OPEN
Status: NATIVE
Subject: CONVERSATION WITH FOREIGN TRADE MINISTER
TAGS: ETRD, PFOR, EAGR, CH, US, (LI CHIANG)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/569d0799-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009